

Date June 9, 1978

TO CITY COUNCIL
FROM CITY MANAGER *ell*
SUBJECT 1978-79 MUNICIPAL SERVICES PROGRAM -
PROPOSITION 13 REVISIONS

*Rec'd prop. Tax -- C.A.
Municipal budgets -- " -- Monterey Park
Monterey Park -- approp. + expend.*

You have previously been provided a proposed Municipal Services Program for 1978-79. With the passage of Proposition 13, a number of adjustments are going to be necessary, and the purpose of this memorandum is to summarize the impact on city revenues and expenditures and recommend alternatives.

IMPACT ON CITY REVENUES

Proposition 13 rolls the assessed valuation of real property back to 1975-76 levels and limits the tax rate to 1% of full market value. In addition, the proposition provides that assessed values may be increased to reflect changes in the Consumer Price Index at a maximum of 2% annually. If the property has been purchased, newly constructed or a change in ownership has occurred after March 1, 1975, the proposition also allows the assessor to reappraise the property to its actual market value. The language is loosely written and is subject to varied interpretation by the courts and state legislature. In order to project the impact on Monterey Park, the following assumptions are being made:

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- A. That the proposition will be interpreted that all real property in the State of California would automatically increase by 2% in value each year on an across-the-board basis.
 - B. That the State Legislature will interpret Proposition 13 so that the City of Monterey Park would continue to receive the same proportionate share of the total property tax revenue currently generated in Monterey Park (15%).
 - C. That the "change in ownership" provision of Proposition 13 will not be reflected in the 1978-79 budget because of the physical difficulty of the assessor having to determine the date of change of ownership and establishing a market value for that particular date.

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- D. That the total \$4 rate would be received by the CRA for its increase in assessed valuation over the frozen base.
- E. That the courts will uphold the major provisions of Proposition 13 and that the school districts' argument that the remaining property tax revenues should go entirely to the schools will be rejected.
- F. That the pressures on the state reserve to provide relief for County-mandated services and schools will preclude state assistance to municipalities, and even if the state legislature provides the cities with additional revenue-levying options, those will not occur until well after the November election.

Given these assumptions, then, it is estimated that the \$3,439,800 in property tax revenues forecast for 1978-79 will be reduced to \$908,119, computed as follows:

	<u>Market Value</u>	<u>Assessed Value</u>	<u>Total Est. Assessed Value</u>
1975-76 Assessed Valuation			\$128,949,883
1975-76 Est. Bldg. Permits	\$14,353,608	\$3,588,402	132,538,285
1976-77 Est. Bldg. Permits	29,090,382	7,272,595	139,810,880
1977-78 Est. Bldg. Permits	37,395,000	7,000,000	146,810,880
1978-79 Est. Bldg. Permits	40,000,000	7,000,000	153,810,880
1976-77 2% increase in assessed value		2,650,765	156,461,645
1977-78 2% increase in assessed value		2,936,218	159,397,863
1978-79 2% increase in assessed value		3,076,218	162,474,081
Estimated total AV for 1978-79			\$162,474,081
Less delinquencies (2% x 162,474,081)			(3,249,481)
Sub total			\$159,224,600
Tax rate for 1978-79		X	4.00/100 AV
Estimated total property tax			\$ 6,368,984
Less estimated tax increment for CRA			
\$225,344 A/G - \$89,514 Fwy. 1			(314,858)
Sub Total			\$ 6,054,126
Monterey Park's share x 15%		X	15%
NET PROPERTY TAX TO MONTEREY PARK			\$ 908,119

In addition to the impact on property tax, Proposition 13 is expected to affect other city revenues. The formula for determining revenue sharing payments is based partially on the tax effort, or amount of tax collected by local governments. Proposition 13 is expected to result in the loss of approximately 8.6% of revenue sharing assistance for California as a whole and because of this city's high dependency on property taxation, will result in the loss of approximately 20% of Monterey Park's revenue. However, as the federal government bases its formula on 18-month-old data, this loss will not be felt until 1979-80.


More difficult to forecast is the impact on revenues related to the economy: Sales tax, gasoline tax, cigarette tax and motor vehicle in-lieu tax. The econometric model prepared by the Graduate School of Management at UCLA, projects a combined loss of 451,300 jobs in the combined public and private sectors with a state unemployment rate of 10.1%. At the peak of the 1970-71 unemployment caused by a loss of jobs in the aerospace industry, sales tax revenue and similar economy-related revenues went flat and did not recover until the introduction of the federal Public Employment Program in late 1971.

Factors not present in 1970 were the increased revenue that property owners who still hold their jobs will have because of Proposition 13, and the governor's indication that he will utilize part of the state surplus to assist counties and school districts. As it is almost impossible to make an intelligent projection on what exactly is going to happen to the economy with these offsetting impacts, I have not attempted to make any adjustment in our original 1978-79 projections for sales tax, motor vehicle in-lieu tax, gasoline tax or revenues derived from the restaurant lease.

IMPACT ON OPERATIONS

In order to better understand how the \$2,531,681 revenue reduction will affect the City, it is necessary to first identify those operations which are self-supporting through their own fees, charges or restricted revenues. These are: the Water Department with total operating expenditures of \$1,005,699; refuse collection with expenditures of \$537,519; and the Community Development Department with expenditures of \$272,084. In addition, the Animal Control program is 81% self-supporting through animal license fees. Street maintenance functions are 77% self-supporting through 2107 gas tax monies. The Engineering Department's \$249,460 annual expenditure is offset 46.8% through inspection fees, street permits, map sales and through reimbursement of design expenses from FAU and gas tax financed projects. Aquatics and certain specialized recreation programs are approximately 50% self-supporting.

Therefore, the loss in property tax revenues has its major impacts on the following services: Police, Fire, storm drain maintenance, sanitary sewer maintenance, traffic signalization and marking, street lighting, library services, parkway maintenance, parks maintenance, recreation facilities and playground programs, and those financial, purchasing, personnel and legal services required to support all the ongoing operations. The \$2,531,681 cut represents 36% of the costs of the above programs.



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The City does fund some beneficial, but non-essential programs, which would be automatically cut, and further reductions should then be based on the following priorities:

1. Protection of the City's legal position in terms of liability for maintenance of services and facilities.
2. Provision of adequate levels of police and fire operations to meet emergency situations.
3. Protection of the City's investment in such capital improvements as streets, storm drains, sewers, parks, landscaping and buildings through minimal levels of maintenance to protect those investments.

The problem is that even with elimination of non-essential programs, subsidized recreation programs and the Library, the 36% cut by Jarvis is too deep to make achievement of the above priorities possible. As you are aware, the City of Monterey Park currently has one of the lowest number of employees per 1,000 population in the San Gabriel Valley and maintains one of the lowest overhead costs in terms of support personnel in Southern California. If the above priorities are to be met, part of the loss is going to have to be raised through alternate revenue sources.

REVENUE ALTERNATIVES

In California, General Law cities are not allowed to impose taxes without the express authority of the State Legislature. As the General Law cities' authority to raise taxes are generally limited to property taxation and certain types of licensing and service fees, it is not possible without further state authority, to replace all the revenues lost by Proposition 13. However, there are enough sources available to bring revenues up to a level where necessary cuts can be made and essential services can be provided without creating a crisis situation. These fees are as follows:

1. Sewer service charges. The State authorizes General Law cities to level a service charge for the maintenance of sewers and storm drains. This is an extremely critical service for Monterey Park and is one of the major services impacted by Proposition 13. The recommendation is to charge a fee of \$1.50 per month for single-family dwellings and each multiple-family dwelling; and \$5.00 for commercial and for industrial businesses. These fees would raise \$444,600 and would allow the City to continue proper sewer, storm drain maintenance and adequate street sweeping to maintain open drainage.
2. Business license increase. Proposition 13 benefits business and industrial users at a far greater rate than it does the homeowner. These users also generally take up a greater percentage of police, fire and street maintenance

service than do other types of users in the city. A revised business license fee based on gross receipts is recommended that would raise current rates approximately 125% with larger increases due for certain types of businesses. The fees would raise \$618,600 and would be used exclusively to support Police, Fire and traffic control services.

3. Transient Occupancy Tax. This is a tax authorized by the State Legislature to reimburse cities for police and maintenance costs generated by visitors using city hotels. It authorizes cities to charge a fee based on 6% of room rentals and should raise \$18,200 in 1978-79 and \$68,200 when the new hotel at the San Bernardino and Long Beach freeways is constructed.

4. Street Lighting and Parkway Maintenance District Act. Street lighting is one of the most difficult services to cut back. We have reviewed a number of alternatives including: turning off the street lights at midnight; using lower intensity bulbs; and removing every other light. Each of the alternatives involves a number of problems and would result in a considerable cutback in lighting. This is a particularly important service and does affect the crime rate. However, it is a cost that we have minimum control over because the charges are established by the Public Utilities Commission and inflation and energy costs are rising rapidly.

A related problem is the City's sizeable investment in street trees and parkway landscaping. The median landscaping can be allowed to die. However, improperly trimmed and cared for trees could present a liability problem. Landscaping makes for a more pleasant community in which to live, but under existing revenue sources, these items cannot be maintained. The recommendation, therefore, is to develop a Street Lighting and Tree Maintenance District to cover costs. The charge would be directly attributable to the cost of maintaining street lights and landscaping, which is currently \$540,820 per year. This type of service charge is probably the fairest method of financing as it is tied directly to the service being offered.

Unfortunately, the 1972 legislation provides that the Districts must be implemented by August 31 and it does not appear that there is adequate time to complete a district for 1978-79. If the Council wishes to implement such a district, it is recommended that we proceed with establishment of the district but finance the services out of Revenue Sharing and General Fund reserves the first year. However, if the Council does not wish to implement this type of charge, the City should immediately cut back the services.

For the first year, the combined revenues indicated above would raise a total of \$1,081,400 and together with provisions to cover street lighting and parkway maintenance costs, would reduce our revenue deficiency to a level where responsible cuts could be made without impairing essential services. I feel that the charges are fair and the following indicates how various homes and businesses in Monterey Park would be affected:

<u>TAXPAYER</u>	<u>Est. Prop. 13 Savings</u>	<u>Est. Business License</u>	<u>Annual Sewer Charge</u>	<u>Annual Street Lgtg. Charge</u>	<u>Net Savings</u>
Homeowner \$60,000 house	\$1,545	\$ --	\$18	\$37.50	\$1,489.50
Homeowner \$100,000 house	2,575	--	18	49.24	2,507.76
Car Dealer	13,494	714	60	831.60	11,888.40
Market	21,632	384	60	1,595.00	19,593.00
Drug Store	4,541	464	60	506.00	3,511.00
Four-plex \$53,000	1,336	100	240	37.50	958.50
Apt. House - 11 units	2,809	1,000	660	47.25	1,101.75

PROPOSED REDUCTIONS

The following proposed revisions are based on the three priorities previously discussed and are keyed to the budget submitted to you on May 26th. To the extent possible, the recommendations are designed to avoid dependency on Revenue Sharing or other external grants as Council has previously requested. Personnel reduction figures include all benefits.

<u>Program Activity</u>	<u>Net Reduction</u>
City Council	
3C Meetings, Dues, Conferences	\$500
Advisory Commissions	
Art and Culture Committee programs	1,875
City Manager	
0.50 Secretary (shared with Recreation and Parks Department)	8,010
Substitution of part-time interns for Administrative Assistant's position	15,671
Reserve for salary increase	2,420
3C Meetings, Dues Conferences	500
3R Office supplies	500

City Clerk

3C	Meetings, Dues, Conferences	\$ 600
4C	Office Equipment	350

Finance Administration

3C	Meetings, Dues, Conferences	700
3S	Liability Insurance Reserve (Fund from unallocated reserves rather than ongoing revenues)	150,000

License Collection

4C	Office Equipment	150
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Personnel Administration

0.50	Intermediate Clerk-Typist	5,615
3C	Meetings, Dues, Conferences	300
3L	CPS Exam Services	2,500
	Pre-Employment expenses	2,000
	Service Awards Banquet	2,000
	Training Program	10,000

Community Promotion

3C	Dues	402
3L	Chamber of Commerce	17,400
	City Newsletter	9,000
	Drum and Bugle Corps (Revenue Sharing)	1,500
	Open Door (Revenue Sharing)	4,500
	Monterey Park Boys' Club (Revenue Sharing)	15,000
	Family Counseling Service (Revenue Sharing)	2,500
	Youth in Government Banquet (Revenue Sharing)	500
	Juvenile Diversion Program (Revenue Sharing)	14,000

Police Administration

1.00	Sergeant	26,083
3C	Meetings, Dues, Conferences	600
3R	Office Supplies	500

Police Field Services

0.50	Captain	15,698
2.00	Police Officers (New proposed positions - not filled)	40,750
3C	Meetings, Dues, Conferences	800

Police Investigations

0.50	Captain	\$ 15,698
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Support Services

0.33	Captain	10,465
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Capital Outlay (Revenue Sharing)

700

Emergency Preparedness

0.33	Captain	10,465
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Community Relations

1.00	Community Relations Officer	9,470
	Capital Outlay (Revenue Sharing)	5,000

Communications

0.33	Captain	10,465
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Fire Administration

3C	Meetings, Dues, Conferences	650
4C	Capital Outlay	225

Fire Prevention

3C	Meetings, Dues, Conferences	600
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Fire Suppression

3.00	Firemen Apprentices (less \$15,000 for additional overtime)	30,792
3N	Safety clothing, badges	800
	Appliance, equipment repair	350
	Capital Outlay (Revenue Sharing) chains, siren, wall clocks, desk chair, lawn mower, drafting equipment	1,480

Engineering

1.00	Public Works Inspector	23,066
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Street Maintenance

1.00	Maintenance Worker	\$ 13,457
3N	Department Supplies	500
3D	Paving Materials, Supplies	15,000

Street Cleaning

0.50	Maintenance Worker	6,728
3N	Department Supplies	100

Traffic Control

0.50	Maintenance Worker	6,728
3N	Department Supplies	2,500

Building Maintenance

1.00	Building Maintenance Worker	13,812
	Projects	12,000

Library Administration

	Part-time Help	1,565
3C	Meetings, Dues, Conferences	750
3D	Facilities Maintenance	4,400
3T	Telephone	750
3U	Utilities	4,000

Adult Services

0.50	Sr. Librarian	10,500
1.00	Librarian	17,264
3L	Special Services	9,710
4N	Books	12,460

Children's Services

0.50	Sr. Librarian	10,500
0.50	Clerk	7,057
0.625	Page Shelver	3,468
4N	Books	3,340

Circulation

0.272	Clerk	3,839
	Part-time positions	3,113

Technical Services

0.50	Assistant Librarian	\$ 12,095
0.87	Sr. Clerk	13,240
0.50	Clerk	7,057
3L	Special Services	1,000
3N	Department Supplies	1,400

Parkway Maintenance

1.00	Park Supervisor	23,600
0.10	Intermediate Clerk-Typist	1,412
3L	Median Maintenance Contract	21,500
3P	Parkway Tree Replacement	1,000

Parks Maintenance

2.00	Sr. Park Maintenance Workers	35,650
0.10	Intermediate Clerk-Typist	1,412
1.00	Park Maintenance Worker	10,587
3D	Grounds and Facilities Mtce.	10,000
3N	Department Supplies	5,000
3U	Utilities	5,000

Recreation Facilities Supervision

0.05	Intermediate Clerk-Typist	707
	Part-time Recreation Leaders	6,000
	Grounds and Facilities Maintenance	3,000

Specialized Activities

0.75	Intermediate Clerk-Typist (share Secretary with City Manager's office)	2,592
35A	Advertising and Community Relations	500
35L	Athletic Officials for Sports Club	3,600
	Band, music, piano tuners	550
	Drama and bowl entertainment	1,400

In addition to the above budget reductions, services provided by fee or grant were also reviewed to determine if they are currently being subsidized by the General Fund. Our review indicates that the water operation, refuse service, weed abatement program and the Housing and Community Development program are requiring more administrative support than they are actually being charged. The results were that the following costs would be transferred to the General Fund from their respective programs:

Refuse Operation	\$39,081
Weed Abatement	14,400
Water Operation	120,000
H. C. D. A. Program	<u>74,500</u>
	\$247,981

Another area is the Worker's Compensation program spread throughout the various program activities. A portion of the charge is to build up the reserves to support the program and \$75,000 could be funded from reserves rather than ongoing revenues.

SUMMARY

Combined revenue alternatives and proposed reductions will result in the elimination of 24 positions with the following impacts on services:

1. Elimination of Newsletter and community promotion activities through the Chamber of Commerce.
2. Closing of two playgrounds.
3. Elimination of bookmobile services.
4. Reduction in library hours from 63 hours per week to 40 hours and elimination of telephone reference services, children's summer reading club and story hours, movies and special programs.
5. Elimination of all donations for social, cultural and community events.
6. Reduced maintenance of parks, restrooms, buildings, tennis courts and other public facilities.
7. Reduction of summer playground programs from six to four.
8. Cutbacks in street maintenance and new street name sign installation.
9. Elimination of hand sweeping of curb returns, noses of medians, behind parking bumpers and other areas not reachable by the street sweeper.
10. Discontinued service of trash receptacles in the central business district.

The reductions in administrative staff and in meetings and dues expenses will reduce the City's ability to keep up with new techniques, procedures and legal mandates and evaluate how these programs will affect, or improve, operations in Monterey Park. Our ability to provide information to citizens, investigate and resolve complaints and to anticipate and plan for changes that affect the community will also be adversely affected.

However, on the whole, I feel that the combined proposals provide for a responsible and rational approach for meeting the intent of Proposition 13. Essential Police, Fire and maintenance services will continue, and care has been taken to provide for provision of some library and recreation services.

The confusion at the state level and the shortness of time will require difficult but decisive action if essential services in Monterey Park are to be maintained adequately and without crisis. The remaining staff stands ready to assist you in these determinations.

It is recommended that you allow adequate time for discussion by introducing the revenue ordinances at your meeting of June 12 and that you set dates to review these and the recommended reductions in detail.

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